

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 2029 – HB 2672

March 9, 2020

SUMMARY OF ORIGINAL BILL: Exempts a person who owns property and intends to construct a new residential building on that property for the builder's own use from licensure under the Board for Licensing Contractors (BLC) if the person signs a disclosure form with the local permitting agency, does not build for the purpose of sale or rent, and maintains the general liability and workers' compensation insurance required of licensed contractors. Authorizes the BLC to penalize a person for contracting in this state without a license that does not comply with the provisions of the exemption.

Requires a homeowner to disclose if the exemption from licensure was utilized for construction of the property on the Tennessee Residential Property Condition Disclosure before sale of the property takes place.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (016133): Deletes and rewrites all language of the original bill such that the only substantive change are: 1) deleting the requirement for a homeowner to disclose if the exemption from licensure was utilized for construction on the property on the Tennessee Residential Property Disclosure form; 2) authorizing the homeowner to remove record of exemption from licensure from the county register of deeds after four years if the BLC determines the construction complied with laws of this state; 3) establishing that any costs associated with removal of the record of licensure exemption are at the property owner's expense; and 4) requiring the Department of Commerce and Insurance (DCI) to develop the form for a homeowner to request the BLC to review construction and remove record of the licensure exemption.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code. Ann. § 62-6-103(a)(2)(A), any person that owns property and constructs on the property single residences for individual use and not for resale, rent or other similar purpose, is exempt from licensure under the BLC.
- The proposed legislation would require submission of a disclosure form to the local permitting agency if the owner of a property desires to build a new residential building for the builder's own use, not for sale or rent. Sale or rent of the building is authorized two years after the construction is complete.
- The BLC is required to develop and provide the disclosure form to local permitting agencies at no charge. The local agencies are not prohibited from charging a fee to builders for the form; however, it is assumed any fee charged would be equivalent to expenditures from administering the form.
- Any builder that utilizes the exemption is required to comply with all applicable laws, ordinances, building codes, and zoning regulations. Local entities will not be subject to a decrease in building inspection or permit revenue.
- It is estimated that the number of builders who own property, intend to construct a new residential building on that property for personal use, and maintain the general liability and workers' compensation insurance required of licensed contractors will be minimal.
- Builders exempt from licensure are prohibited from hiring an unlicensed person for any contracting services.
- The proposed legislation will not cause a significant decrease in licensed contractors under the BLC.
- The BLC can develop and provide the disclosure form to local permitting agencies and complete any necessary rulemaking within existing resources.
- Any costs associated with the BLC reviewing construction on behalf of a property owner to remove record of licensure exemption are at the expense of the property owner; therefore, no increase in expenditures to the BLC.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-sufficient over any two-year period. The BLC experienced a surplus of \$96,912 in FY17-18, a surplus of \$81,710 in FY18-19, and had a cumulative reserve balance of \$2,594,876 on June 30, 2019.
- DCI can develop the required form within existing resources.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- The proposed legislation will not cause a significant decrease in licensed contractors under the BLC.
- No significant impact to jobs or commerce in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/agr